

WADDINGTON  
Appl. No. 09/913,463  
January 19, 2006

**REMARKS/ARGUMENTS**

Reconsideration of this application is respectfully requested.

The above amendments are all believed properly presented and enterable under 37 C.F.R. §1.116 as complying with requirements of form expressly set forth for the first time in the outstanding final Office Action. These amendments are believed to obviate all outstanding formal issues and thus to place the claims in better form for consideration on appeal -- thus qualifying for entry under two separate and independent provisions of 37 C.F.R. §1.116(b). In addition, such amendments are believed enterable under 37 C.F.R. §1.116(c) because they could not have been made earlier, and are necessary to overcome outstanding grounds of formal formality-based rejections made for the first time in the outstanding Office Action.

Claims 17, 25 and 31 have been amended so as to obviate the specific typographical errors noted by the Examiner on page 2 of the Office Action.

In response to the rejection of claims 17-33 under 35 U.S.C. §101 and under 35 U.S.C. §112, second paragraph, all of the claims have been reviewed and amended above so as to avoid/obviate all such formality-based rejections. For example, claims 17-31 are clearly directed to a method -- albeit a method which is carried out in a computer. Claim 32 is clearly directed to a computer (i.e., apparatus) that has been configured so as to operate in accordance with the recited method steps. Claim 33 is directed to a data

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carrier containing computer code for loading into a computer having recited structure, the computer code on the data carrier being configured to perform a method during its execution on that computer in accordance with recited steps. Accordingly, the claims are all believed to be in compliance with 35 U.S.C. §101 and with 35 U.S.C. §112.

Accordingly, all outstanding formal issues are now believed to have been resolved in the applicant's favor.

The rejection of claims 17-21, 27-28 and 32-33 under 35 U.S.C. §103 as allegedly being made "obvious" based on Baugher '465 in view of Jones '489 is respectfully traversed.

The Examiner has alleged support for this ground of rejection by merely quoting or paraphrasing applicant's claim language followed by parenthetical references to specific portions of the cited prior art documents. However, as will be noted below, the applicant does not find the cited text to support the allegation. To illustrate this point, some specific examples will now be set forth.

For example, the second paragraph in the body of claim 17 is said to be found in Baugher at column 2, lines 11 to 16, column 9, line 66 to 67 through to column 10, lines 1 to 8, then column 6, lines 23 to 36. However, the cited passages do not provide any such teaching, nor anything that can fairly be said to be equivalent thereto.

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More particularly, there is no teaching of the portion of the claim directed to the running of a second process. Indeed, the second process seems to be absent from Baugher. It is certainly absent from the portions actually cited by the Examiner but more importantly this feature seems not to be contained at all (either expressly nor impliedly) in the teaching of this entire reference. At best, in the passage cited by the Examiner, lines 49 to 67 in column 10 appears to show that what applicants have required as a second (separate) process is, in Baugher, incompletely present -- and merely as a part of the first process.

As to claim 18, the passages cited by the Examiner simply do not teach the claimed features.

Similarly, with respect to claim 19, the cited passages fail to teach the claimed features. Moreover of course, as the Examiner admits, Baugher does not even include a scheduling means so it is hard to see how there can be a teaching such as the Examiner suggests.

As to claim 21, again the features of the claim recited by the Examiner are in no way disclosed or taught by the passages cited. The same objection applies to the Examiner's argument concerning claim 28.

The basis for the Examiner's objection to claim 27 is clearly not supported by Figure 2, items 300 or 320 or 330.

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The Examiner's objection to independent claims 32 and 33 are similarly deficient (e.g., see comments above re claim 17).

The rejection of claims 22 and 26 under 35 U.S.C. §103 as allegedly being made "obvious" based on Baugher '465 in view of Jones '489 in further view of Papworth '248 is also respectfully traversed.

The fundamental deficiencies of Baugher already discussed above are not supplied by either Jones or Papworth with respect to parent claims. Accordingly, these claims are allowable for that reason alone.

Furthermore, once again, the passages cited by the Examiner as alleged support clearly do not disclose the subject matter they are alleged to disclose. The Examiner's reference to an "existing invention of Baugher and Jones" is not understood. Presumably the Examiner is referring to his proposed selective combination of different features from these two references. In any event, the cited passages of all the references clearly fail to teach the relevant additional features of these claims. For example, with respect to claim 25 the Examiner cites to column 8, lines 54-58 of Papworth and column 33, lines 1-14. Although the latter passage does say something about prioritization, it does not teach or suggest even the incremental features of claim 25 that are added to the features of parent claim 21.

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Similarly, while Papworth at column 16, lines 1-15 does relate to queues, neither it nor the other cited passages at column 33 teach the features added incrementally to the overall invention being claimed at claim 26 (i.e., in combination with claim 25 -- the invention "as a whole" being the relevant consideration under 35 U.S.C. §103).

The rejection of claim 29 under 35 U.S.C. §103 as allegedly being made "obvious" based on Baugher in view of Jones in further view of Nakahara '225 is also respectfully traversed.

Once again, fundamental deficiencies of Baugher/Jones have already been noted above with respect to parent claim 17. Frankly, it is not seen where Baugher even teaches resource tokens and the applicant fails to find essentially any of the features of claim 29 in Baugher (whether in the text cited by the Examiner or elsewhere).

While Nakahara does disclose the use of a random number value, it fails to supply the fundamental deficiencies already noted with respect to the primary Baugher reference (even if one takes Jones into account).

The rejection of claim 30 under 35 U.S.C. §103 as allegedly being made "obvious" based on Baugher in view of Jones in further view of Baugher '595 is also respectfully traversed.

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As already noted, the fundamental deficiencies of Baugher '465 have already been noted above. Neither Jones nor Baugher '595 addresses those deficiencies with respect to parent claims (e.g., parent claim 17).

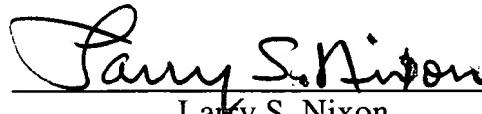
Similarly, the rejection of claim 31 under 35 U.S.C. §103 as allegedly being made "obvious" based on Baugher '465 in view of Jones and in further view of Bonomi '492 is also respectfully traversed. Since the fundamental deficiencies of Baugher '465 have already been noted above concerning parent claims, it is not believed necessary to address the further deficiencies of any or all of these references with respect to claim 31. Suffice it to say that the Examiner is unable to substantiate any teaching or suggestion in the references for the propositions proposed by the Examiner based on the text cited by the Examiner.

Accordingly, this entire application is now believed to be in allowable condition and a formal Notice to that effect is respectfully solicited.

Respectfully submitted,

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LEXSEE 2005 USAPP LEXIS 25120

**IPXL HOLDINGS, L.L.C., Plaintiff-Appellant, v. AMAZON.COM, INC., Defendant-Appellee.**

**05-1009, -1487**

**UNITED STATES COURT OF APPEALS FOR THE FEDERAL CIRCUIT**

**2005 U.S. App. LEXIS 25120**

**November 21, 2005, Decided**

**PRIOR HISTORY:** [\*1]Appealed from: United States District Court for the Eastern District of Virginia. Judge Leonie M. Brinkema. *IPXL Holdings, L.L.C. v. Amazon.com, Inc.*, 2005 U.S. Dist. LEXIS 32621 (E.D. Va., June 28, 2005)

*IPXL Holdings, L.L.C. v. Amazon.com, Inc.*, 333 F. Supp. 2d 513, 2004 U.S. Dist. LEXIS 19909 (E.D. Va., 2004)

**DISPOSITION:** AFFIRMED IN PART AND REVERSED IN PART.

**COUNSEL:** Jan M. Conlin, Robins, Kaplan, Miller & Ciresi LLP, of Minneapolis, Minnesota, argued for plaintiff-appellant. With her on the brief were Richard M. Martinez, Emily M. Rome and Nicole E. Narotzky. Of counsel was Munir R. Meghjee.

David K. Callahan, Kirkland & Ellis LLP, of Chicago, Illinois, argued for defendant-appellee. With him on the brief were Thomas G. Pasternak; and Edward C. Donovan, of Washington, DC. Of counsel were David Rokach, of Chicago, Illinois; Christine E. Duh and David S. Olson of San Francisco, California.

**JUDGES:** Before CLEVENGER, RADER, and SCHALL, Circuit Judges.

**OPINION BY:** CLEVENGER

**OPINION:** CLEVENGER, Circuit Judge.

Plaintiff-appellant IPXL Holdings, L.L.C. ("IPXL") appeals the judgment of the United States District Court for the Eastern District of Virginia granting summary judgment in favor of Defendant-appellee Amazon.com, Inc. ("Amazon"), see *IPXL Holdings, L.L.C. v. Amazon.com, Inc.*, 333 F. Supp. 2d 513 (E.D. Va. 2004) ("Summary Judgment"), and awarding Amazon attorney fees, see [\*2] *IPXL Holdings, L.L.C. v. Amazon.com,*

Inc., No. 04-CV-70 (E.D. Va. Sept. 24, 2004) ("Attorney Fees"). IPXL sued Amazon, alleging that Amazon's "1-click system" infringed claims 1, 2, 9, 15 and 25 of its *U.S. Patent No. 6,149,055* ("the '055 patent"). The district court found that Amazon's system did not infringe the '055 patent and that all relevant claims were invalid. Finding that the case was "exceptional," the district court awarded Amazon attorney fees and costs under 35 U.S.C. § 285. Because we agree that claims 1, 2, 9, 15 and 25 are invalid, we affirm the district court's grant of summary judgment on invalidity and need not reach its ruling on noninfringement. However, because Amazon did not timely file its motion for attorney fees under *Fed. R. Civ. P. 54(d)(2)(B)*, we reverse the district court's grant of attorney fees and costs.

I

The '055 patent, entitled "Electronic Fund Transfer or Transaction System," is directed to a system for executing electronic financial transactions, such as an electronic fund transfer system, including automated teller machines ("ATMs") or point of sale ("POS") terminals. The [\*3] essence of the '055 patent is that the system stores information previously defined by the user and displays that information to the user in a single screen, from which the user may select a transaction. Thus, the system allows the user to execute a financial transaction in fewer steps.

Representative claim 1 reads as follows:

An electronic financial transaction system for executing financial transactions, the transactions being characterized by a transaction type and a plurality of transaction parameters, the system comprising:

a central controller;

a communications network;

a terminal device selectively connectable to the central controller through the communications network, the terminal device comprising:

a processor;

a display connected to the processor;

an input mechanism for providing input to the processor;

the system further comprising means for storing user defined transaction information, the transaction information comprising at least one of user defined transactions and user defined transaction parameters;

the processor causing the display to display on a single screen stored transaction information; the input mechanism [\*4] enabling a user to use the displayed transaction information to execute a financial transaction or to enter selections to specify one or more transaction parameters.

'055 patent, col. 20, ll. 24-46. Claims 2, 9, 15 and 25 recite the system of claim 1, with additional limitations.

The accused system, the 1-click system, enables customers to purchase goods online from Amazon.com. The system allows customers who have previously stored information, including credit card numbers and shipping addresses, to place an order without having to reenter the stored information. Amazon stores each order placed using the 1-click system for ninety minutes, during which time the order can be modified or cancelled. At

the end of ninety minutes, the orders remaining in the system are finalized; once the orders have been finalized and the goods have been shipped, Amazon requests funds from the user's credit card.

The district court, having construed the claim terms, found that the 1-click system did not meet the following claim limitations: "electronic financial transaction," "stored transaction information," and "single screen." The district court also found that claims 1, 2, 9 and 15 [\*5] were anticipated, and thus invalid under 35 U.S.C. § 102, as each limitation of the claims was disclosed by U.S. Patent No. 5,389,773 ("the Coutts patent"). Further, the district court found that claim 25 was indefinite, and thus invalid under 35 U.S.C. § 112, as it claimed both a system and a method for using that system. Finding the case to be "exceptional," the district court awarded attorney fees and costs under 35 U.S.C. § 285. On June 28, 2005, the district court set attorney fees and costs in the sum of \$ 1,674,645.82, plus interest. See IPXL Holdings, L.L.C. v. Amazon.com, Inc., No. 04-CV-70 (E.D. Va. June 28, 2005).

On appeal, IPXL argues that the district court erred in several respects with regard to claim construction and that its judgment of noninfringement is therefore incorrect. IPXL also challenges the district court's determination that the Coutts patent anticipated claims 1, 2, 9 and 15 of the '055 patent, arguing that the Coutts patent does not disclose three aspects of the "single screen" limitation: a single screen, on which a stored transaction is displayed, and from which a user may select [\*6] transaction parameters. IPXL further argues that claim 25 does not contain a method limitation within an apparatus claim and that the claim is therefore not indefinite. IPXL also challenges the award of attorney fees on the grounds that Amazon's motion for attorney fees was untimely under Fed. R. Civ. P. 54, as it was made more than fourteen days after entry of judgment. IPXL also argues that attorney fees were not warranted, as there was no showing of subjective bad faith such that the case cannot be found to be "exceptional."

Amazon argues that there was no error in the district court's claim construction and that both the decisions on noninfringement and invalidity are correct. Amazon also argues that its motion for attorney fees was timely and that, in any case, it was within the district court's discretion to allow the motion. Finally, Amazon argues that the case was "exceptional" and that the district court properly exercised its discretion to award attorney fees.

We hold that the district court correctly found that claims 1, 2, 9 and 15 are anticipated by the Coutts patent and that claim 25 is indefinite. Because the claims in suit are [\*7] invalid, we need not visit the question of whether the district court erred in determining that the

claims were not infringed. In addition, we hold that the correct way to perfect a claim to attorney fees under 35 U.S.C. § 285 is through compliance with *Fed. R. Civ. P. 54*. Because Amazon did not file a timely request for attorney fees under that rule, the district court erred in granting attorney fees to Amazon, and we reverse the order granting attorney fees. Because the award of fees was improper, we need not address IPXL's contention that the case was not "exceptional" under 35 U.S.C. § 285.

## II

Claim construction is a question of law that this court reviews de novo. *Cybor Corp. v. FAS Techs., Inc.*, 138 F.3d 1448, 1456 (Fed. Cir. 1998) (en banc). Similarly, indefiniteness is a question of law. *Atmel Corp. v. Info. Storage Devices*, 198 F.3d 1374, 1378 (Fed. Cir. 1999). Anticipation is a question of fact. *Med. Instrumentation & Diagnostics Corp. v. Elekta AB*, 344 F.3d 1205, 1220 (Fed. Cir. 2003).

Summary judgment is appropriate when no genuine [\*8] issue of material fact exists and the moving party is entitled to judgment as a matter of law. *Fed. R. Civ. P. 56(c)*. "In determining whether there is a genuine issue of material fact, the evidence must be viewed in the light most favorable to the party opposing the motion, with doubts resolved in favor of the opponent." *Chiuminatta Concrete Concepts, Inc. v. Cardinal Indus.*, 145 F.3d 1303, 1307 (Fed. Cir. 1998). When a district court grants summary judgment, we review de novo both whether there are disputed material facts and whether the prevailing party is entitled to judgment as a matter of law. *Sun Tiger, Inc. v. Scientific Research Funding Group*, 189 F.3d 1327, 1333 (Fed. Cir. 1999).

In reviewing a motion for attorney fees under 35 U.S.C. § 285, we review factual findings, such as whether a case is exceptional, for clear error. *Cybor Corp.*, 138 F.3d at 1460. We review de novo whether the district court applied the proper legal standard to the case. *Sulzer Textil A.G. v. Picanol N.V.*, 358 F.3d 1356, 1363 (Fed. Cir. 2004). We then review the [\*9] court's decision whether or not to award attorney fees under an abuse of discretion standard. *Id.*

## III

### Anticipation by the Coutts patent

A claim is anticipated under 35 U.S.C. § 102 "if each and every limitation is found either expressly or inherently in a single prior art reference." *Bristol-Myers Squibb Co. v. Ben Venue Labs, Inc.*, 246 F.3d 1368, 1374 (Fed. Cir. 2001). Under 35 U.S.C. § 282, patents are presumed to be valid. However, a patent may be found to be anticipated on the basis of a reference that had properly been before the patent examiner in the United States

Patent and Trademark Office ("PTO") at the time of issuance. See *Prima Tek II, L.L.C. v. Polypap, S.A.R.L.*, 412 F.3d 1284, 1287 (Fed. Cir. 2005). The patent examiner in the instant case had initially rejected the '055 patent in light of the Coutts patent and the Anderson reference, which is not at issue here. Summary Judgment, 333 F. Supp. 2d at 535. However, the patentee argued that the Coutts patent did not disclose "displaying transaction information on a single screen," and the examiner allowed the '055 patent. [\*10] *Id. at 536*. At summary judgment, however, the district court held that there could be no genuine dispute that the Coutts patent disclosed each limitation of claims 1, 2, 9 and 15 of the '055 patent and thus held that these claims were anticipated and invalid. *Id. at 536-43*. On appeal, IPXL only challenges the district court's findings in regard to the "single screen" limitation.

The Coutts patent relates to a self-service system, such as an ATM, that uses predictive technology to increase the speed of operation of the system. After the user enters an identification card, the system predicts the user's desired transaction based upon "a stored record in the system, representing previous transactions by that user," and displays that information in order "to simplify the decisions and selections required to be made by the user." Coutts patent, abstract.

IPXL argues that the Coutts patent does not disclose the "single screen" limitation of the '055 patent, namely, "displaying on a single screen stored transaction information; the input mechanism enabling a user to use the displayed transaction information to execute a financial transaction or to enter [\*11] selections to specify one or more transaction parameters." '055 patent, col. 20, ll. 41-46. IPXL argues that in the Coutts patent, transaction parameters are selected over multiple screens, not in a single screen. Further, IPXL argues that the screen does not display "stored transaction information." Finally, IPXL argues that the input mechanism does not allow a user to use the displayed information "to specify one or more transaction parameters."

The district court construed the single screen limitation to require "the presentation of stored transaction information to a user on one screen, without the user having to first encounter any preliminary screens that would require the user to select a transaction type or a transaction parameter." Summary Judgment, 333 F. Supp. 2d at 538-39. IPXL disputes the district court's construction of the term "stored transaction information," as discussed infra, such that it argues that the district court improperly construed what must be displayed on the "single screen." However, IPXL does not dispute the underlying construction of the one screen part of the single screen limitation construction quoted above.

The district [\*12] court construed the term "stored transaction information" to require a user-defined transaction, characterized by a transaction type and a plurality of user-defined transaction parameters, plus an additional user-defined transaction parameter. *Id. at 519, 525-26, 538-39.* Thus, under the district court's construction, "stored transaction information" requires a user-defined transaction type and three user-defined transaction parameters.

The district court further construed the term "transaction type" to mean "[a] particular kind, class, or group of electronic transfers of funds or a particular kind, class, or group of electronic inquiries as to funds. Examples of transaction types include withdrawals, deposits, transfers, payments, and balance inquiries." *Id. at 524.* The district court construed the term "transaction parameter" to mean "[a] property whose value determines the characteristics of (1) an electronic transfer of funds, or (2) an electronic inquiry as to funds. Examples of transaction parameters include the identification of the specific account, and the specific dollar amount." *Id. at 524-25.*

IPXL argues that the terms [\*13] "transaction type" and "transaction parameter" were impermissibly limited to electronic transfer of funds or electronic inquiries as to funds. However, it does not contest the essential claim construction, i.e. that transaction type refers to the kind of transaction that takes place, whereas transaction parameter refers to a property whose value determines the characteristics of a transaction.

IPXL also argues before this court that "stored transaction information" requires only a user-defined transaction type and a single user-defined transaction parameter, not three user-defined transaction parameters. However, under either construction of the term "stored transaction information," the Coutts patent anticipates claims 1, 2, 9 and 15 of the '055 patent.

As noted by the district court, the Coutts patent teaches that "the processor means 32 causes a particular menu to be displayed on the lead-through display screen 18 following initiation of a transaction by a user and following a prediction that particular services are likely to be requested by the user." Coutts patent, col. 3, ll. 40-43. The menu displayed may be, "for example, a simplified menu . . . consisting of only four [\*14] questions, such as: Do you require \$ 20?', Do you require \$ 30?', Do you require a mini-statement?', and Do you require some other transaction?." *Id. col. 3, ll. 45-49.* Thus, the Coutts patent discloses a screen displaying stored transaction information.

IPXL argues, however, that the patent requires navigating through the "lead through display" in order to execute the transaction and that such a "lead through display" requires a "series of screens and instructions."

Pet. Br. at 46. Thus, IPXL argues that the screen displayed is not the "single screen" of the '055 patent. However, nothing in the Coutts patent indicates that the phrase "lead through display" refers to a series of screens. Rather, as the district court noted, the "lead through display" refers to a physical component, not the image presented. Summary Judgment, 333 F. Supp. 2d at 539-40. The Coutts patent refers to the same component, element 18, by four different names: lead-through display screen, lead-through display, display screen, and screen. Figure 2, a schematic diagram of an ATM, groups element 18 - a "lead-through display" - with two other physical objects, an input means and a card [\*15] reader. Thus, the patent notes that a "visual display" is made "on the screen 18." Coutts patent, col. 5, ll. 7-12. All together, this indicates that element 18, the "lead-through display" is a physical object upon which information is displayed.

In addition, the description of the patented Coutts invention indicates that a single screen display was contemplated. *Id. col. 4, ll. 44-53.* After a user identification process, i.e. inserting an identification card and entering a personal identification number, the display screen shows possible transactions to be chosen. This, the patent notes, is "the commencement of the interaction process." *Id. col. 4, ll. 51-52.* If one of the displayed transactions is desired, the user must simply indicate the desired transaction through the input means, and the transaction is completed. *Id. col. 4, ll. 49-53.* Thus, no transaction information need be entered before the single screen displays a plurality of predicted transactions, which are based on previously entered transaction information.

IPXL further argues that the Coutts patent does not display the stored transaction information. However, the Coutts patent clearly discloses the [\*16] display of multiple transaction types and multiple transaction parameters. For example, the summary of the invention discloses the types of services which may be performed using a single terminal, including withdrawal (transaction type 1) of different cash amounts (transaction parameter 1), account balance inquiry (type 2) via printing (parameter 2) or display (parameter 3), or transaction inquiry (type 3) via printing of a mini-statement (parameter 4) or a full statement (parameter 5). *Id. col. 1, l. 65 - col. 2, l. 7.* Similarly, the aforementioned example of a simplified menu displays two transaction types, withdrawal and transaction inquiry, and at least three transaction parameters, an amount of \$ 20, an amount of \$ 30, and the printing of a mini-statement. *Id. col. 3, ll. 45-49.* In addition, it is clear that these transaction parameters and transaction types are "user-defined" and "stored" as the transaction options presented are predicted based upon "previous transactions by that user" that are in a

"stored record." *Id.* abstract; see also *id.* col. 6, ll. 36-38, 41-43.

Finally, IPXL argues that the Coutts patent does not enable the user to "enter selections to [\*17] specify one or more transaction parameters." However, as noted above, the Coutts patent allows a user to select one of a variety of transaction options. As an example, the patent notes that a simplified menu on a single screen will offer choices "such as: Do you require \$ 20?", Do you require \$ 30?", Do you require a mini-statement?", and 'Do you require some other transaction?'." *Id.* col. 3, ll. 45-49. If one of the options is that which the user prefers, he may input appropriately, and the transaction is completed. IPXL argues that this constitutes "selecting one transaction over another" and that it does not constitute "entering selections to specify one or more transaction parameters." Pet. Br. at 49. However, choosing between withdrawing \$ 20 and \$ 30 involves specifying one of two transaction parameters, i.e. the amount of the transaction. Thus, the Coutts patent discloses enabling a user to "enter selections to specify one or more transaction parameters."

As the Coutts patent discloses the single screen limitation recited above, and IPXL does not contest that it discloses the other limitations of claims 1, 2, 9, and 15 of the '055 patent, we affirm the district court's [\*18] grant of summary judgment to Amazon on the ground that the Coutts patent anticipates claims 1, 2, 9 and 15 of the '055 patent.

#### Indefiniteness of Claim 25

The district court found that claim 25 is indefinite under 35 U.S.C. § 112, as it attempts to claim both a system and a method for using that system. *Section 112*, paragraph 2, requires that the claims of a patent "particularly point[] out and distinctly claim[] the subject matter which the applicant regards as his invention." 35 U.S.C. § 112 (2000). A claim is considered indefinite if it does not reasonably apprise those skilled in the art of its scope. *Amgen, Inc. v. Chugai Pharm. Co.*, 927 F.2d 1200, 1217 (Fed. Cir. 1991).

Whether a single claim covering both an apparatus and a method of use of that apparatus is invalid is an issue of first impression in this court. The Board of Patent Appeals and Interferences ("Board") of the PTO, however, has made it clear that reciting both an apparatus and a method of using that apparatus renders a claim indefinite under *section 112*, paragraph 2. *Ex parte Lyell*, 17 USPQ2d 1548 (BPAI 1990). As the Board [\*19] noted in *Lyell*, "the statutory class of invention is important in determining patentability and infringement." *Id. at 1550* (citing *In re Kuehl*, 475 F.2d 658, 665 (CCPA 1973); *Rubber Co. v. Goodyear*, 76 U.S. 788, 796, 19 L. Ed. 566 (1870)). The Board correctly surmised that, as a

result of the combination of two separate statutory classes of invention, a manufacturer or seller of the claimed apparatus would not know from the claim whether it might also be liable for contributory infringement because a buyer or user of the apparatus later performs the claimed method of using the apparatus. *Id.* Thus, such a claim "is not sufficiently precise to provide competitors with an accurate determination of the metes and bounds' of protection involved" and is "ambiguous and properly rejected" under *section 112*, paragraph 2. *Id. at 1550-51*. This rule is well recognized and has been incorporated into the PTO's Manual of Patent Examination Procedure. § 2173.05(p)(II) (1999) ("A single claim which claims both an apparatus and the method steps of using the apparatus is indefinite under 35 U.S.C. 112, second paragraph. [\*20] "); see also Robert C. Faber, Landis on Mechanics of Patent Claim Drafting § 60A (2001) ("Never mix claim types to different classes of invention in a single claim.").

Claim 25 recites both the system of claim 2 and a method for using that system. The claim reads:

The system of claim 2 [including an input means] wherein the predicted transaction information comprises both a transaction type and transaction parameters associated with that transaction type, and the user uses the input means to either change the predicted transaction information or accept the displayed transaction type and transaction parameters.

'055 patent, col. 22, ll. 8-13 (emphasis added).

Thus, it is unclear whether infringement of claim 25 occurs when one creates a system that allows the user to change the predicted transaction information or accept the displayed transaction, or whether infringement occurs when the user actually uses the input means to change transaction information or uses the input means to accept a displayed transaction. Because claim 25 recites both a system and the method for using that system, it does not apprise a person of ordinary skill in the art of [\*21] its scope, and it is invalid under *section 112*, paragraph 2.

#### IV

Judgment in favor of Amazon was entered on August 27, 2004. On September 13, 2004, Amazon filed a motion for attorney fees seeking relief under three different statutory provisions: 28 U.S.C. § 1927, Fed. R. Civ. P. 11, and 35 U.S.C. § 285. IPXL responded with a motion to strike, arguing that any motion for attorney fees must comply with Fed. R. Civ. P. 54(d)(2)(B), which

provides that "unless otherwise provided by statute or order of the court, the motion must be filed no later than 14 days after entry of judgment." Because Amazon's motion, filed seventeen days after entry of judgment, was untimely, IPXL contended that the motion must be struck.

Amazon responded to the motion to strike, arguing that the 14-day limit was inapplicable because, in Amazon's view, its motion was one for sanctions under *Fed. R. Civ. P. 54(d)(2)(E)*, which provides that the 14-day rule does not apply to "claims for fees and expenses as sanctions for violations of these rules [\*22] or under 28 U.S.C. § 1927." Amazon made no attempt to claim excuse for breach of the 14-day rule under *Fed. R. Civ. P. 6(b)*, which permits enlargement of the 14-day time period of *Rule 54*, but only subject to the strictures of *Rule 6(b)*. As Amazon made no attempt to seek enlargement of the 14-day time period pursuant to *Rule 6*, it is not surprising that Amazon pitched its argument to district court under *Rule 54(d)(2)(E)*.

The district court decided the attorney fee issue on the written record provided by the parties. First, the district court rejected Amazon's plea for relief based on *Rule 11*. Transcript of Motions Hearing at 4, IPXL Holdings, L.L.C. v. Amazon.com, Inc., No. 04-CV-70 (E.D. Va. Sept. 24, 2004). Next, the district court rejected 28 U.S.C. § 1927 as a ground for attorney fees in this case. *Id.* Amazon does not contest that aspect of the district court decision. Finally, the district court recognized that Amazon's motion was out of time under *Rule 54*. Noting that no showing of good cause had been made under *Rule 6* for enlargement of the 14-day time period, the district court [\*23] commented that "there is some merit" to IPXL's motion to strike. *Id.* at 4-5.

Nonetheless, the district court held that a claim to attorney fees under *section 285* "is not barred by the [14-day] time limit" and that even if attorney fees under that provision were subject to *Rule 54*, the court would "exercise its discretion and allow Amazon leave to file out of time." *Id.* at 5. Consequently, the district court denied IPXL's motion to strike and, finding the case exceptional, granted Amazon's motion for attorney fees under *section 285*.

IPXL appeals the award of attorney fees, arguing that the proper way to perfect a claim to attorney fees under *section 285* is through compliance with *Rule 54*. IPXL disputes the district court's holding that *section 285* itself grants authority to a district court to award attorney fees thereunder, even where *Rule 54* is not satisfied. Consequently, IPXL asserts that the district court lacked authority to consider the motion for attorney fees. With

no proper motion before it, the district court had no issue upon which it could exercise its discretion.

Amazon counters by placing its reliance again on *Rule 54(d)(2)(E)*. Because the district court determined [\*24] that this was not a "close case" when deciding that the case was exceptional, Amazon argues that the district court in essence held that the case was legally frivolous such as to warrant sanctions for violation of *Rule 11*. Thus, according to Amazon, the attorney fee award was a sanction for violation of one of "these rules" in accordance with *Rule 54(d)(2)(E)*. We reject this argument. The district court did not hold that the case was "frivolous" under *Rule 11*. Rather, it awarded attorney fees under 35 U.S.C. § 285.

Amazon's second ground to support the award of attorney fees is that the district court properly exercised its discretion to enlarge the 14-day filing time under *Rule 6(b)*. Even assuming the district court was referring to *Rule 6(b)* when it allowed Amazon to file out of time, the record is clear that Amazon never made a motion under *Rule 6(b)(2)*, seeking enlargement of time after the 14-day time period had run, based on "excusable neglect," which is the standard the district court must apply in exercising discretion to enlarge time under that subsection of *Rule 6*.

We think it is clear that on this record there is no basis for an award of attorney [\*25] fees under *Rule 11* or 28 U.S.C. § 1927. Assuming this is an exceptional case, an issue we do not reach, Amazon's claim to fees under *section 285* is viable. However, we hold that any claim to attorney fees must be processed in compliance with *Rule 54(d)(2)(B)*. No provision in *section 285* exempts requests for attorney fees there under from compliance with *Rule 54(d)(2)(B)*.

The district court's holding that *section 285* itself can support an award of attorney fees without regard to when the relief is requested is legally incorrect. Further, in this case, the 14-day rule of *Rule 54* was breached, and Amazon took no steps under *Rule 6(b)(2)* that could have afforded the district court a basis upon which to exercise discretion to enlarge the 14-day time period. Consequently, the district court abused its discretion in enlarging the applicable time and in denying IPXL's motion to strike. The district court was here obligated to grant IPXL's motion, [\*26] and the award of attorney fees and costs to Amazon is therefore reversed.

#### COSTS

No costs.

AFFIRMED IN PART AND REVERSED IN PART

prosecution of his "submarine" patents for years, then allowing them to surface for enforcement against alleged infringers once the bar-code technology at issue had matured. Rather than granting the patent holder's petition to rehear the decision against it en banc, however, the nine judges instead expanded that adverse ruling by voiding patent claims not addressed by the district court. The court reasoned that all of the subject matter in the patents in suit, not just the claims addressed in the original ruling, was pending for an unreasonably long period of time, causing "prejudice to the public as a whole."

**Litigation Goes Back to 1998.** Lemelson Medical, Education & Research Foundation LP is the assignee to some 185 patents (4,338,626 and others) involving machine vision and automatic identification bar code technologies that were issued to Jerome H. Lemelson, who died in 1997. The patents, stemming from two applications filed in 1954 and 1956, were issued over the next few decades following a series of continuation applications, after the claimed technology was widely available. Lemelson claimed that the patents are entitled to the filing date of the 1954 and 1956 applications.

Symbol Technologies Inc. makes and sells bar code scanners and related products. When its customers began receiving letters in 1998 stating that use of Symbol Technologies products infringed 14 of the Lemelson patents, Symbol Technologies filed suit against Lemelson. Claiming that it could be forced to indemnify its customers in the event of infringement, Symbol Technologies sought a declaratory judgment that the 14 Lemelson patents at issue are invalid and not infringed, and are unenforceable for unreasonable delay in prosecution under the doctrine of prosecution laches.

Chief Judge Philip M. Pro of the U.S. District Court for the District of Nevada dismissed Symbol Technologies' laches claim, but the Federal Circuit in 2002 reversed and remanded the case. *Symbol Technologies v. Lemelson*, 277 F.3d 1361, 61 USPQ2d 1515 (Fed. Cir. 2002) (63 PTCJ 282, 2/1/02). The appellate court found support for the prosecution laches defense in two Supreme Court cases from the 1920s that established the principle that an applicant must act diligently.

Applying the Federal Circuit's analysis on remand, Judge Pro in January 2004 held that the patents were unenforceable under the doctrine of prosecution laches. 30 F. Supp. 2d 1156, 69 USPQ2d 1738 (D. Nev. 2004) (67 PTCJ 258, 1/20/04).

The district court called the inventor's 18 to 39-year delay in filing and prosecuting the asserted claims after they were first disclosed in the 1954 and 1956 applications unreasonable and unjustified, stressing that it was not necessary to demonstrate that the inventor "intentionally stalled." The court also held that even if the patents had been found enforceable, they were invalid for lack of enablement and were not infringed because the accused bar code products did not embody each and every limitation of the asserted claims.

Lemelson appealed again, and the Federal Circuit affirmed the district court ruling last September (70 PTCJ 525, 9/16/05).

Judge Alan D. Lourie declined to identify strict time limits for determining when delayed patent prosecution is unreasonable, but he held that refiling an application containing previously-allowed claims for the business

purpose of delaying their issuance is an abuse of the patent system and constitutes laches.

Lemelson filed a combined petition for panel rehearing and for rehearing en banc.

**Opinion Amended on Rehearing.** The full court—with Judges Alvin A. Schall, Richard Linn, and Sharon Prost not participating—granted Lemelson's petition for the limited purpose of amending the earlier panel ruling. The amendments included language clarifying that the court was affirming the district court's holding of unenforceability as to all of the 76 patent claims originally asserted. However, the en banc order also added the following new paragraphs expanding the unenforceability holding to all other claims of the 14 Lemelson patents in suit:

Although the district court did not make its resolution of the laches applicable to the remaining claims, holding that the question would be decided only if it later became necessary to do so, in our view, the more appropriate course of action is to apply the laches holding to all of the claims in the 14 asserted patents. Lemelson does not provide any persuasive reason why that should not be so.

All of the claims were in issue in this lawsuit, and all were held invalid and not infringed. Moreover, all of the claims are purportedly supported by the same specification with the same effective filing dates. Thus, all of the subject matter in the patents in suit was pending for an unreasonably long period of time, and the delays in prosecution to issuance of the asserted 76 claims applied to all of the remaining claims. Accordingly, in this exceptional case, prejudice to the public as a whole has been shown here in the long period of time during which parties, including the plaintiffs, have invested in the technology described in the delayed patents. These are sufficient bases to extend the district court's laches holding of unenforceability of the 76 asserted claims to all of the claims of the asserted patents. Thus, we hold that all of the claims of the 14 asserted patents are unenforceable under the doctrine of prosecution laches.

Victoria Gruver Curtin of Scottsdale, Ariz., represented Lemelson. Jesse J. Jenner of Ropes & Gray, New York, represented Symbol Technologies.

Full text at <http://pub.bna.com/ptcj/041451Nov16.pdf>

## Patents/Business Methods

### Patent Asserted Against Amazon.com Is Invalid for Claiming Apparatus and Method

A patent asserted against Amazon.com's "1-Click" system for ordering merchandise is invalid for indefiniteness because it claims both an apparatus and a method for using that apparatus, the U.S. Court of Appeals for the Federal Circuit held as a matter of first impression (*IPXL Holdings LLC v. Amazon.com Inc.*, Fed. Cir., No. 05-1009, 11/21/05).

Affirming a summary judgment of patent invalidity, the court quoted a Board of Patent Appeals and Interferences decision holding that such a claim "is not sufficiently precise to provide competitors with an accu-

rate determination of the 'metes and bounds' of protection involved." While also affirming a summary ruling that the patent is invalid as anticipated by an earlier patent, the appellate court did not address the lower court's ruling that Amazon.com's ordering system was noninfringing, but it reversed an award of attorneys' fees to Amazon, citing Amazon's untimely filing for such relief.

**Amazon Prevails Below.** IPXL Holdings LLC sued Amazon.com Inc., claiming that Amazon's "1-Click" feature for ordering goods over the Internet infringed its patent (6,149,055) on an electronic fund transfer and transaction system.

Judge Leonie M. Brinkema granted Amazon's motion for summary judgment, holding that Amazon's system did not infringe and that all relevant claims were invalid. 333 F. Supp. 2d 513 (E.D. Va. 2004) (68 PTCJ 506, 9/3/04). Finding the case "exceptional," the court also awarded Amazon attorneys' fees and costs.

IPXL appealed.

**'055 Patent Was Anticipated.** The district court, in ruling that the '055 patent was invalid, found that the '055 patent was anticipated by the prior art Coutts patent (5,389,773), which relates to a self-service system, such as an ATM, that uses predictive technology to increase the speed of the system's operation. The Federal Circuit affirmed that ruling.

Judge Raymond C. Clevenger III rejected IPXL's various arguments to support its contention that the Coutts patent did not disclose the "single screen" limitation of the '055 patent, namely, "display[ing] on a single screen stored transaction information: the input mechanism enabling a user to use the displayed transaction information to execute a financial transaction or to enter selections to specify one or more transaction parameters."

**Indefiniteness.** The court of appeals similarly upheld the district court's finding that Claim 25 of the '055 patent was indefinite under 35 U.S.C. § 112 because it attempted to claim both a system and a method for using that system.

Section 112, para. 2, requires that the claims of a patent "particularly point[] out and distinctly claim[] the subject matter which the applicant regards as his invention," Judge Clevenger said, quoting the statute. A claim is considered indefinite if it does not reasonably apprise those skilled in the art of its scope, he added.

The Federal Circuit acknowledged that whether a single claim covering both an apparatus and a method of use of that apparatus is invalid was an issue of first impression for the court. However, the Patent and Trademark Office has made clear that such a claim is indefinite under Section 112, para. 2, Judge Clevenger made clear, pointing to the Board of Patent Appeals and Interferences ruling in *Ex parte Lyell*, 17 USPQ2d 1548 (BPAI 1990). He quoted the board's conclusion that such a claim "is not sufficiently precise to provide competitors with an accurate determination of the 'metes and bounds' of protection involved," and is "ambiguous and properly rejected" under Section 112, para. 2.

The rule against claiming both an apparatus and method in one claim has also been incorporated into the PTO's *Manual of Patent Examination Procedure*, Judge Clevenger added.

Claim 25 of the '055 patent recites both the system of Claim 2 and a method for using that system, the court said, quoting the claim language with added emphasis as follows:

The system of claim 2 [including an input means] wherein the predicted transaction information comprise both a transaction type and transaction parameters associated with that transaction type, and the user uses the input means to either change the predicted transaction information or accept the displayed transaction type and transaction parameters.

It is unclear, Judge Clevenger explained, whether infringement of Claim 25 occurs when one creates a system that allows the user to change the predicted transaction information or accept the displayed transaction, or whether infringement occurs when the user actually uses the input means to change transaction information or uses the input means to accept a delayed transaction. Because this claim recites both a system and the method for using that system, he summed up, it does not apprise a person of ordinary skill in the art of its scope and it is invalid under Section 112, para. 2.

**Attorneys' Fee Award Reversed.** The district court, in awarding Amazon's motion for attorneys' fees, acknowledged that the motion—filed 17 days after entry of judgment—was untimely because Fed. R. Civ. P. 54(d)(2)(B) establishes a 14-day filing deadline. However, the district court held that a claim to attorneys' fees under 35 U.S.C. § 285 is not barred by the 14-day time limit, and that in any case, it could exercise its discretion and allow Amazon to file out of time.

The Federal Circuit disagreed. Judge Clevenger turned back Amazon's contention that the 14-day limit was inapplicable because its motion was for sanctions under Fed.R.Civ.P. 54(d)(2)(E), which provides that the 14-day rule does not apply to claims for sanctions or under 28 U.S.C. § 1927. He discounted Amazon's assertion that the district court in essence found the case eligible for sanctions as legally frivolous under Fed. R. Civ. P. 11.

The appellate court accordingly reversed the fee award, explaining as follows:

We think it is clear on this record that there is no basis for an award of attorney fees under Rule 11 or 28 U.S.C. § 1927. Assuming this is an exceptional case, an issue which we do not reach, Amazon's claim to fees under section 285 is viable. However, we hold that any claim to attorney fees must be processed in compliance with Rule 54(d)(2)(B). No provision in section 285 exempts request for attorney fees thereunder from compliance with Rule 54(d)(2)(B).

The district court's holding that section 285 itself can support an award of attorney fees without regard to when the relief is requested is legally incorrect. Further, in this case, the 14-day rule of Rule 54 was breached, and Amazon took no steps under Rule 6(b)(2) that could have afforded the district court a basis upon which to exercise discretion to enlarge the 14-day time period.

The summary judgment of invalidity was affirmed, but the grant of attorneys' fees and costs was reversed. Judges Randall R. Rader and Alvin A. Schall joined in the opinion.

Jan M. Conlin of Robins, Kaplan, Miller & Ciresi, Minneapolis, represented IPXL. David K. Callahan of Kirkland & Ellis, Chicago, represented Amazon.

Full text at <http://pub.bna.com/ptcj/051009Nov21.pdf>

## Patents/Infringement

### Government, Patent Holder Explore Options For BlackBerry 'White List' Exclusions

In the wake of a recent Justice Department request that a "white list" of government workers be exempted from any injunction shutting down the BlackBerry wireless e-mail system for patent infringement, the patent holder Nov. 17 told the U.S. District Court for the Eastern District of Virginia that the terms of such an exclusion are taking shape (*NTP Inc. v. Research in Motion Ltd.*, E.D. Va., No. 3:01CV767, response filed, 11/17/05).

Patent holder NTP Inc.'s filing with the court indicated that the government has agreed to investigate the feasibility of asking e-mail carriers to prepare the white list of government users, rather than relying on BlackBerry maker, Research in Motion Ltd., to identify them.

**Exclusion Sought Earlier.** The government's Nov. 8 request for a federal, state, and local worker exemption from any BlackBerry injunction expressed concerns over the breadth and implementation of such an order (71 PTCJ 53, 11/18/05). Although the government noted that injunctions cannot apply to the federal government as a matter of law, that state governments enjoy Eleventh Amendment immunity from patent actions in federal courts, and that NTP had assured the district court that any injunction would not apply to state or local governments, it maintained that an injunction, if granted, "would amount to a *de facto* injunction" against government use of the BlackBerry devices.

Moreover, "there does not appear to be a simple manner in which RIM can identify which users of BlackBerrys are part of the federal government," the government said in its earlier filing. To ensure continuity of service for federal workers, the government proposed compiling a "white list" of devices used by federal agencies, including the legislative and judicial branches, and submitting the information to RIM.

The Supreme Court Oct. 26 denied a motion by Canadian BlackBerry manufacturer Research in Motion Ltd. to stay the long-running patent infringement case against it filed by Virginia-based NTP Inc., pending RIM's proposed request for Supreme Court review (70 PTCJ 706, 10/28/05).

The denial of RIM's request sent the case back to the U.S. District Court for the Eastern District of Virginia for a possible reconfirmation of an August 2003 injunction that prohibits RIM from selling, using, or importing into the United States infringing BlackBerry hardware and software until the last of the litigated patents expires in 2012.

In a status hearing on Nov. 9, Judge Spencer said it was "highly unlikely" he would delay proceedings to wait for a reexamination of NTP's patents by the Patent and Trademark Office, which has issued preliminary rulings questioning their validity.

**NTP Reports Agreement on Two Points.** NTP, in its Nov. 17 response to the Justice Department's Nov. 3 request for a government worker exclusion, said that NTP has been able to discuss the government's concerns and that two points of agreement had emerged from those discussions.

First, according to NTP, the parties agreed that the government was not taking any position on RIM's separate efforts to delay the injunction pending the PTO's reevaluation of the NTP patents.

Second, NTP said, the government agreed to consider NTP's suggestion that the white list of government BlackBerry users be compiled "by the carriers who actually provide BlackBerry<sup>®</sup> services to the government under contract." NTP reasoned that it is those carriers that assign the personal identification numbers to government users and thus "could effectively implement a 'white list' by certifying to RIM PINs for the BlackBerry<sup>®</sup> handholds excluded from the injunction."

According to NTP, the government reviewed its responsive pleading and consented to its filing.

## Federal Circuit/Seminar

### Federal Circuit Judges Present Tips, Pet Peeves, on Effective Appellate Advocacy

Six judges of the U.S. Court of Appeals for the Federal Circuit Nov. 15 offered their views on the elements of effective appellate advocacy before a packed courtroom at the Howard T. Markey National Court Building in Washington, D.C.

**'Ships Passing in the Night.'** Chief Judge Paul R. Michel, who convened the meeting as part of what he hopes will be an ongoing conversation between bench and bar, said that he had two pet peeves with respect to appellate briefs.

The first was that the opposing briefs sometimes do not engage with one another and instead resemble the proverbial "ships passing in the night."

"Briefs that aren't sufficiently interactive can't be persuasive to the court," he said.

A second pet peeve, Judge Michel said, is the attempt by advocates to "overwhelm with quantity." A brief may cite 100 cases, 90 of which are peripheral or make-weight, and 10 are critical, and yet the brief will discuss the important cases only cursorily, he said.

"Discuss the really important authorities fully," Judge Michel said, even if that means not discussing other less important cases at all. He questioned whether "computers have made us all dumb," including judges.

On the issue of oral advocacy, Judge Michel said that there is an "intense culture of preparation" at the Federal Circuit which makes it superfluous for counsel to "tell us what the case is about." By the time of oral argument, he said, all of the judges know what the case is about and they want counsel to "immediately meet the strengths of the opponent."

Amicus briefs are appreciated by the court, Judge Michel said, although he said he discerned a recent trend where amicus briefs merely repeat what the parties argue. That kind of brief "adds nothing," he said. Amicus briefs are useful because of their analysis rather than their positions per se, he said.

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